



**City of Detroit**

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**OFFICE OF THE AUDITOR GENERAL**

**City of Detroit  
Five-Year Forecast**

**Fiscal Years 2006-2010**

**FIVE-YEAR FORECAST FOR THE CITY OF DETROIT OF GENERAL FUND  
REVENUES AND EXPENDITURES FOR FISCAL YEARS 2006-2010**

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**REVENUES**

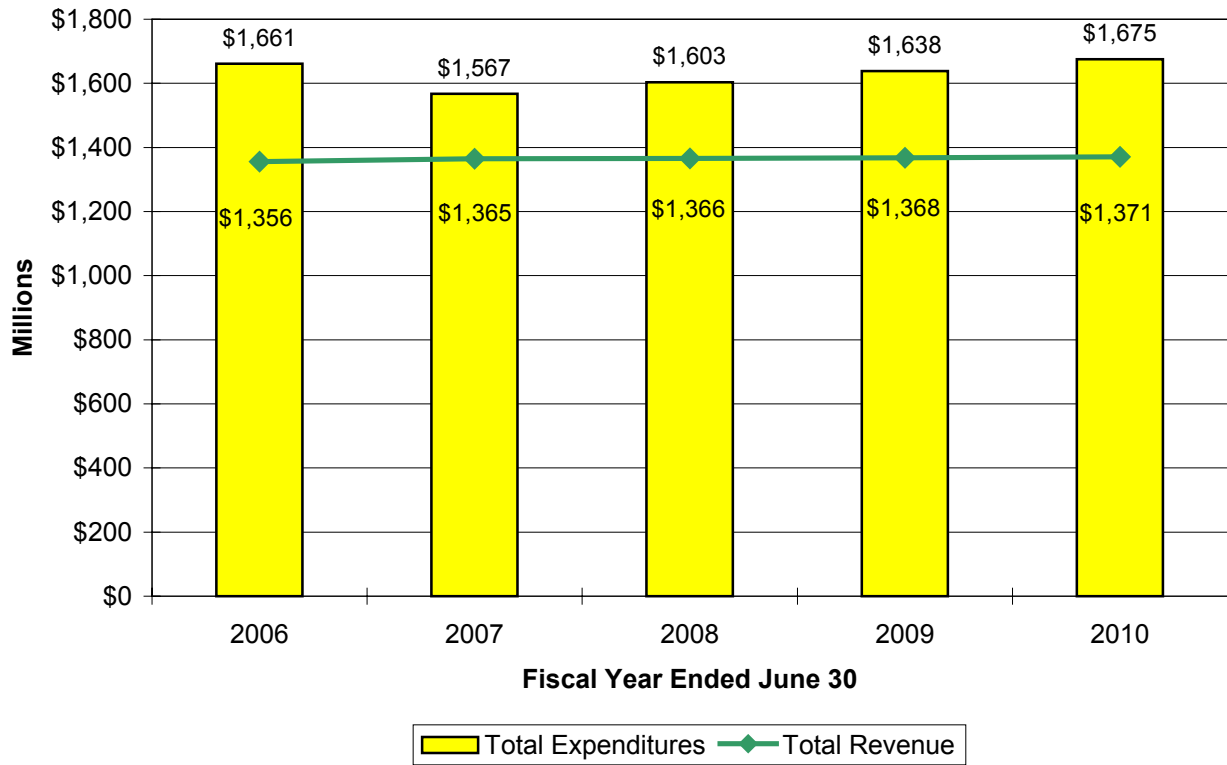
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## PROJECTED GENERAL FUND DEFICIT

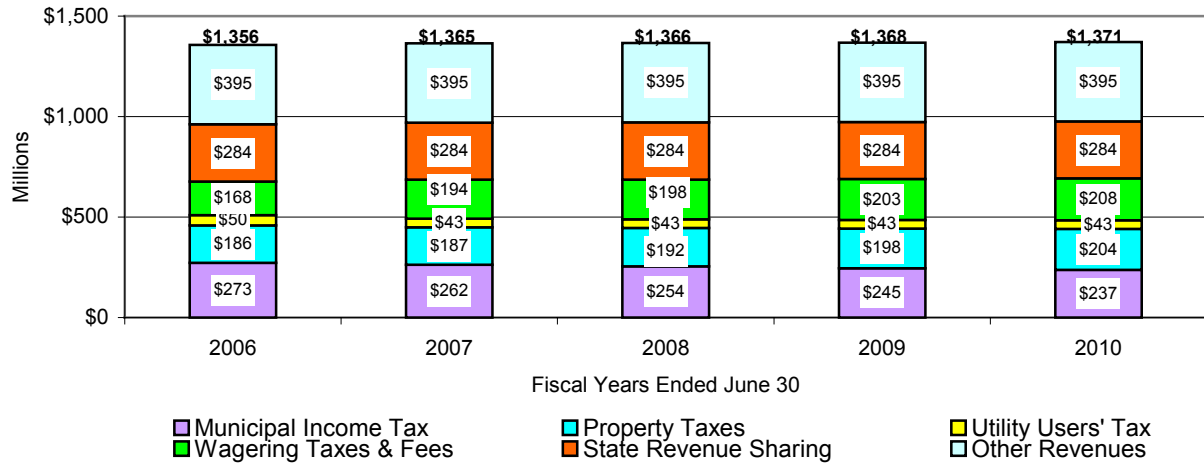
### GENERAL FUND REVENUES VS. EXPENDITURES



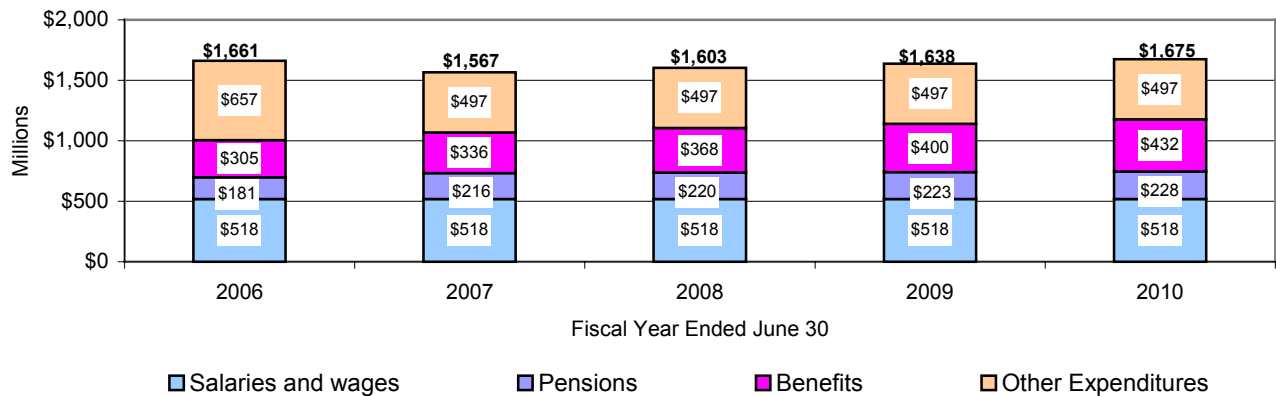
	Millions				
	2006	2007	2008	2009	2010
Revenue	\$ 1,356	\$ 1,365	\$ 1,366	\$ 1,368	\$ 1,371
Expenditures	<u>1,661</u>	<u>1,567</u>	<u>1,603</u>	<u>1,638</u>	<u>1,675</u>
Surplus/ (Deficit)	<u>\$ (305)</u>	<u>\$ (202)</u>	<u>\$ (237)</u>	<u>\$ (270)</u>	<u>\$ (304)</u>

## PROJECTED MAJOR GENERAL FUND REVENUES AND EXPENDITURES

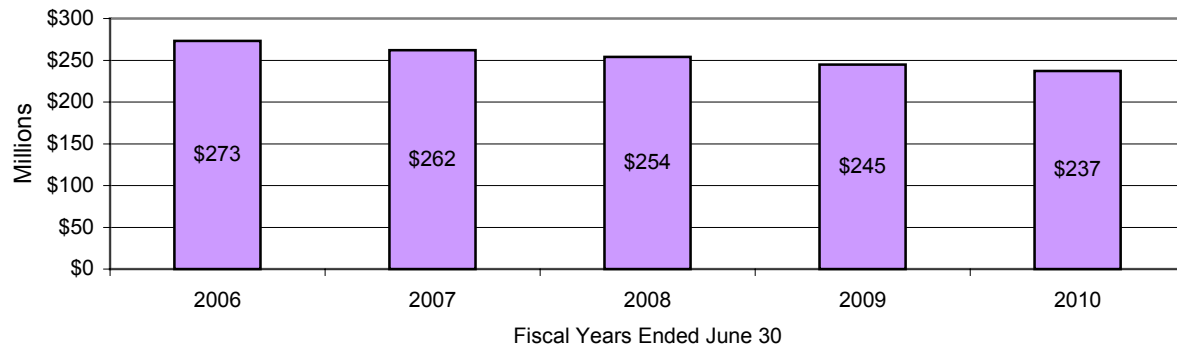
### Revenues:



### Expenditures:



## **PROJECTED MUNICIPAL INCOME TAX REVENUE**

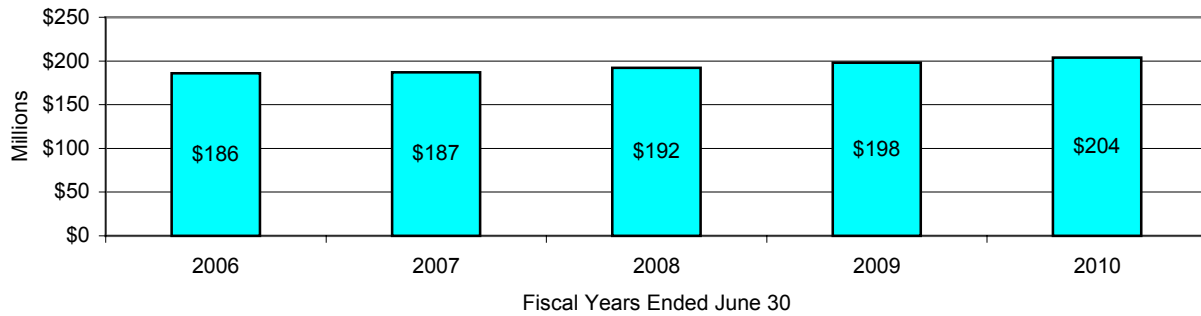


Year	Millions
	Projected Revenue
2005-2006	\$273
2006-2007	\$262
2007-2008	\$254
2008-2009	\$245
2009-2010	\$237

### **Assumptions:**

- The 2005-2006 projected municipal income tax revenue is equal to the amount presented in the Mayor's 2005-2006 Proposed Budget.
- The 2006-2007 through 2009-2010 projections are the projections presented by the City of Detroit Finance Department and Budget Department in December 2004.
- We had no evidence to refute the projections presented by the City of Detroit Finance Department and Budget Department in December 2004 and therefore agree with those projections.

## **PROJECTED PROPERTY TAX REVENUE**

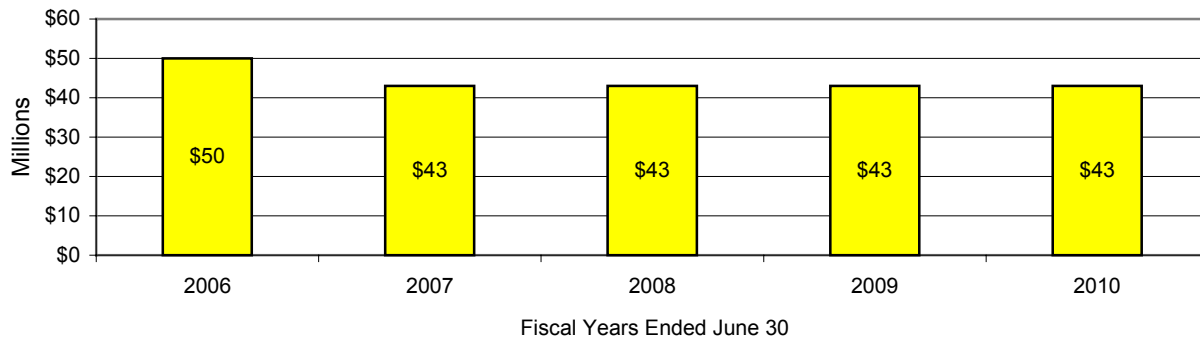


Year	Millions
	Projected Revenue
2005-2006	\$186
2006-2007	\$187
2007-2008	\$192
2008-2009	\$198
2009-2010	\$204

### **Assumptions:**

- The 2005-2006 projected property tax revenue is equal to the amount presented in the Mayor's 2005-2006 Proposed Budget.
- The 2006-2007 through 2009-2010 projections are the projections presented by the City of Detroit Finance Department and Budget Department in December 2004.
- We had no evidence to refute the projections presented by the City of Detroit Finance Department and Budget Department in December 2004 and therefore agree with those projections.

## **PROJECTED UTILITY USERS' TAX REVENUE**

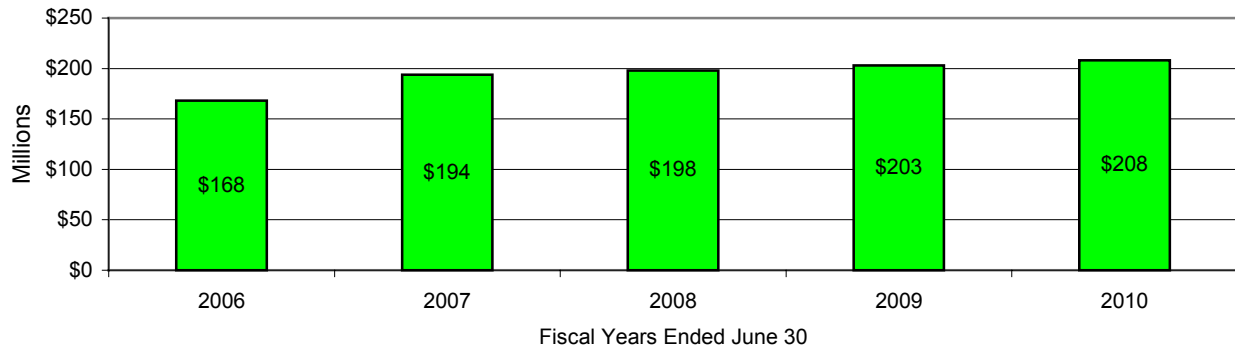


Year	Millions
	Projected Revenue
2005-2006	\$50
2006-2007	\$43
2007-2008	\$43
2008-2009	\$43
2009-2010	\$43

### **Assumptions:**

- For 2005-2006 we are projecting a reduction in the Utility Users' Tax because the Police staffing levels are currently below the 1984 level required in PA 198 of 1970 as amended. When the staffing levels fall below the threshold and collections are above \$45 million the rate is lowered. For every \$2.25 million over \$45 million collected the rate is lowered one quarter of one percent.
- For 2006-2007 we are again projecting a drop in the rate due to insufficient police staffing levels and revenue collections over \$45 million.
- For 2007-2008 through 2009-2010 we are holding the 2006-2007 levels steady.

## **PROJECTED WAGERING TAX AND FEE REVENUE**



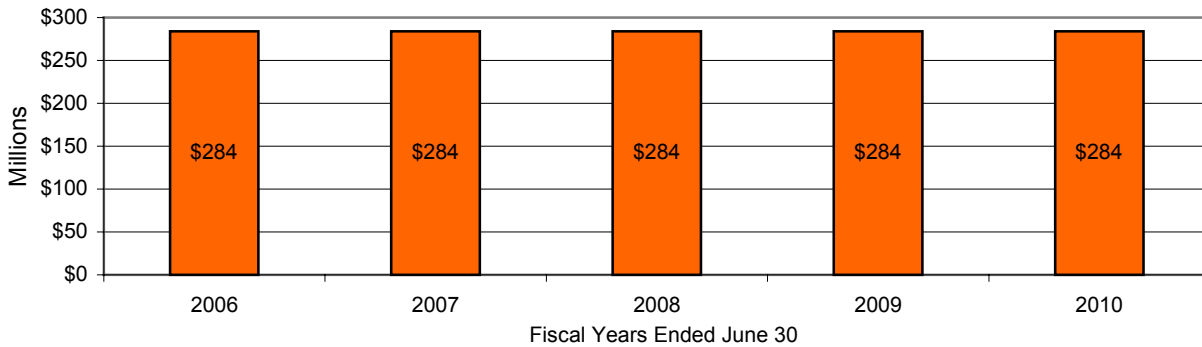
Year	Millions
	Projected Revenue
2005-2006	\$168
2006-2007	\$194
2007-2008	\$198
2008-2009	\$203
2009-2010	\$208

### **Assumptions:**

- The wagering taxes and fees included in the Mayor's 2005-2006 Proposed Budget was agreed with by the Office of the Auditor General.
- For 2006-2007 through 2009-2010 we agree with the Finance Department and Budget Department's projection for the wagering taxes and held the municipal service fee at the 2005-2006 rate.



## **PROJECTED STATE REVENUE SHARING REVENUE**

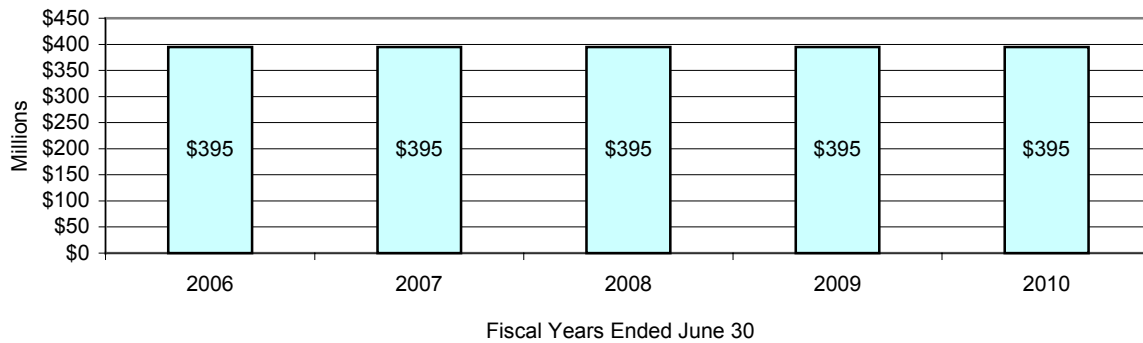


Year	Millions
	Projected Revenue
2005-2006	\$284
2006-2007	\$284
2007-2008	\$284
2008-2009	\$284
2009-2010	\$284

### **Assumptions:**

- We have held the 2005-2006 Proposed Budgeted State Revenue Sharing amount steady through 2010. However, it should be noted that State Revenue Sharing is no longer the stable revenue source it was just a few years ago. It should also be noted that the current State Revenue Sharing legislation is set to expire in September 2007. Currently, the City of Detroit receives approximately 25 percent of the State's total revenue sharing. There is not a guarantee that this same funding level will continue when the new legislation is enacted.

### **PROJECTED OTHER GENERAL FUND REVENUE**

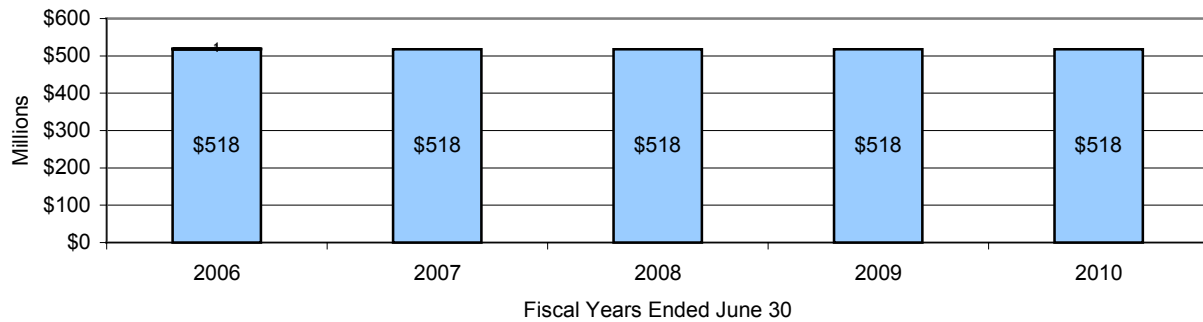


Year	Millions
	Projected Revenue
2005-2006	\$395
2006-2007	\$395
2007-2008	\$395
2008-2009	\$395
2009-2010	\$395

#### **Assumptions:**

- To calculate other revenue for 2005-2006 the Office of the Auditor General computed what was budgeted for other revenue in the Mayor's 2005-2006 Proposed Budget (\$452 million). From the number calculated we deducted revenue that the Office of the Auditor General believes to be overstated in the Budget. This totaled a difference of \$57 million.
- The 2005-2006 other revenue, as calculated by the Office of the Auditor General, was carried forward through 2009-2010.

## **PROJECTED SALARY AND WAGE EXPENDITURES**

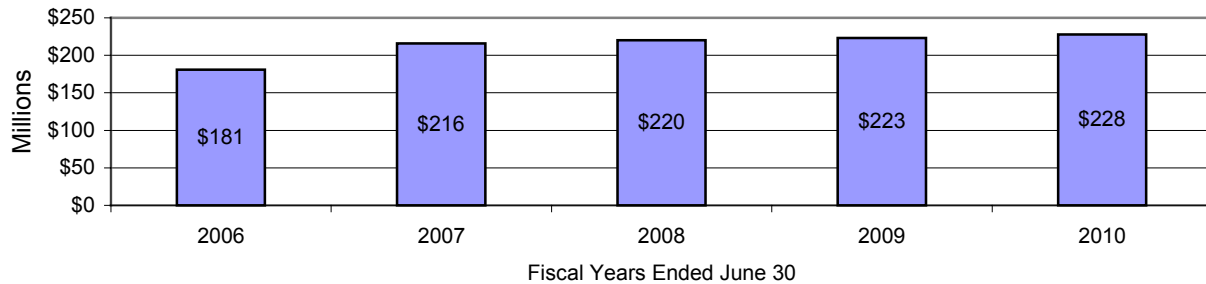


Year	Millions
	Projected Salary and Wage Cost
2005-2006	\$518
2006-2007	\$518
2007-2008	\$518
2008-2009	\$518
2009-2010	\$518

### **Assumptions:**

- To calculate the cost of salaries and wages for 2005-2006 we calculated the cost savings from the 672 General Fund employees that are budgeted to be laid off in 2005-2006. This savings along with the savings for the 2004-2005 lay-offs was subtracted from the 2003-2004 General Fund salaries and wages total.

### **PROJECTED PENSION EXPENDITURES**

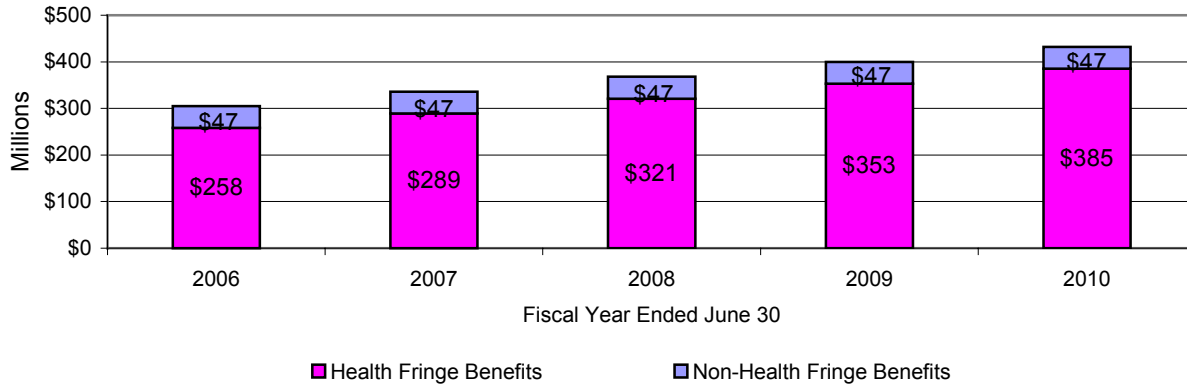


Year	Millions
	Estimated Pension Cost
2005-2006	\$181
2006-2007	\$216
2007-2008	\$220
2008-2009	\$223
2009-2010	\$228

#### **Assumptions:**

- The Pension costs were projected using the figures presented in the study titled *A Challenge Facing the City of Detroit: Funding the City's Retiree Health Care and Pension Benefits*, which was completed for the Office of the Auditor General by J.L. Boyle International.

**PROJECTED FRINGE BENEFIT EXPENDITURES**  
(EXCLUDING PENSIONS)

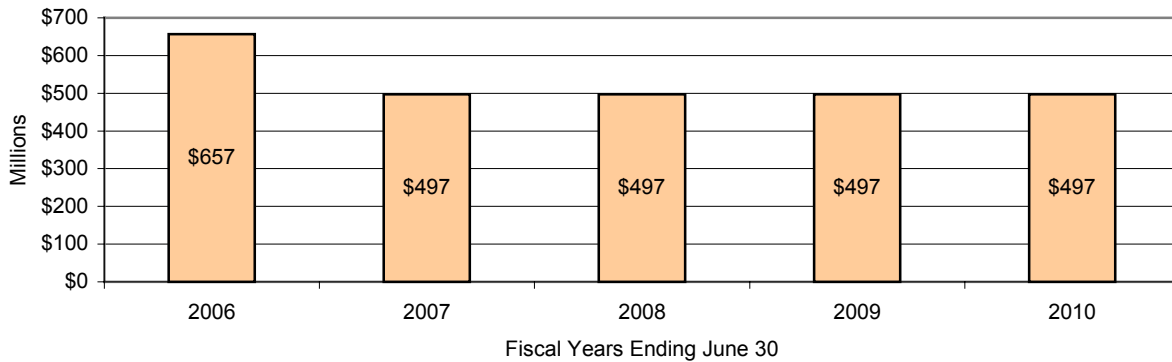


Year	Millions		
	Projected Health Benefits	Projected Non-Health Benefits	Total Health & Non-Health Benefits
2005-2006	\$258	\$47	\$305
2006-2007	\$289	\$47	\$336
2007-2008	\$321	\$47	\$368
2008-2009	\$353	\$47	\$400
2009-2010	\$385	\$47	\$432

**Assumptions:**

- The Fringe Benefit expenditures were projected using the figures presented in the study titled *A Challenge Facing the City of Detroit: Funding the City's Retiree Health Care and Pension Benefits*, which was completed for the Office of the Auditor General by J.L. Boyle International and the report produced by Mercer Human Resources Consulting.
- The health care figures presented in the study referenced above were added to the remaining fringes, which were held steady at the Mayor's 2005-2006 Proposed Budget levels.

### **PROJECTED OTHER GENERAL FUND EXPENDITURES**



Year	Millions
	Projected Expenditures
2005-2006	\$657
2006-2007	\$497
2007-2008	\$497
2008-2009	\$497
2009-2010	\$497

#### **Assumptions:**

- Other Expenditures were calculated by identifying key expenditures in the Mayor's 2005-2006 Proposed Budget not included in Salaries and Wages, Fringes and Pensions. Items the Office of the Auditor General found to be under-budgeted were added to the other expenditures identified.